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# **USAID Timor-Leste Small Grants Program Semi-annual Report: April 2005 – September 2005**

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This report was produced for review by the United States Agency for International Development. It was prepared by Nicholas Hobgood and Kate Heuisler from Development Alternatives Inc. (DAI) for contract number: DOT-I-00-03-00004-00.

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



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## Introduction

### SGP Contract Background

On September 29, 2004, Development Alternatives Inc. (DAI) was awarded the SWIFT II Timor-Leste Small Grants Program contract DOT-I-00-03-00004, task order 801. The contract will run from October 1, 2004 until September 30, 2006. With the introduction of a new strategic objective in the USAID Mission Strategy for 2005-2009, strategic objectives now include the following: (1) accelerating economic growth, (2) improving good governance practices, and (3) improving the health of the people of Timor-Leste.

The new Small Grants Program (SGP) provides small grants assistance to Timor-Leste communities, organizations, and government in their efforts to build a stable, economically robust, democratic country. SGP's in-kind grants help selected groups do their work more effectively by providing them with vital services and supplies, such as training and equipment.

In the past 6 months, USAID has approved 38 small grants for a total of \$1,588,713, including \$546,837 in support of accelerated economic growth, \$462,348 in improved governance practices, and \$579,527 in activities to improve the health of the people of Timor-Leste.

DAI has worked with USAID in the past 6 months to sharpen and refine the strategy for the program. Its focus for the remainder of the SGP contract will be on economic growth issues, with an emphasis on practical education and training. The Government of Timor-Leste (GoTL) and the donor community have identified the need for ensuring program impact across the development spectrum. GoTL has also highlighted an increased emphasis on ensuring that there is follow up and reinforcement of lessons learned through formal and informal training programs. Practical training modules and continued reinforcement of lessons learned will help build more effective educational programming for the future. Teachers and students need more training in how to use their theoretical skills and apply them in their work. As a result, DAI has focused on the need for better, more practical training options through small grant activities that help address:

- the low literacy rate in the country
- the high number of unemployed youth and adults, and
- the needs of rural schools and training institutions, which will be the foundation for the long-term development of the country.

As the USAID presence increases in Timor-Leste, DAI will work with the new programs to identify synergies and opportunities to take advantage of economies of scale. DAI looks for significant buy-in and cost sharing from grantee partners. Overall this will decrease funding overlap and ensure sustainability of grant activities after funding has ceased.

## **Program Highlights and Information Management**

With the departure of our full-time expatriate Information Management Advisor in April, DAI's COP, DCOP and local Information Officer took over the management of the website for the entire reporting period. DAI will receive more support for these information management duties with the arrival of a full-time Development Outreach and Communications Officer in October.

During this reporting period, DAI produced 3 program highlights for the USAID Timor-Leste website. DAI also drafted more than 3 other highlights that will be approved during the next reporting period. Please see <http://www.usaideasttimor.net> and the program highlights archive for more information. Titles are included below and the full text is included in Annex IX.

DAI was also asked to make numerous changes to the content of specific web pages by program staff at USAID. DAI was also asked to provide weekly reports to USAID for inclusion in the Notes to the USAID Administrator. Finally, DAI was given an urgent request from the Senior Program Officer at USAID to put job advertisements on the website and was able to format the content and post the advertisements within 48 hours.

### *Highlights*

Draft Criminal Code Gets Free Speech Scrutiny (April 20, 2005)

Combating the Mosquitoes that Transmit Dengue Fever (May 25, 2005)

East Timor's Microfinance Institutions Learn "Best Practices" (July 30, 2005)

## **SGP Grantmaking within USAID's Strategic Objectives**

### **Strategic Objective 1: Accelerated Economic Growth**

As the country strives to diversify exports and attract foreign direct investment, Timor-Leste currently depends on agricultural activities as the main source of income for the majority of the country's rural communities. DAI continues to concentrate its programmatic efforts on the creation of jobs for Timorese workers and activities that help generate income to improve the economy. During the reporting period, SGP provided 13 grants in the Economic Growth (EG) portfolio to local and international NGOs and ministries totaling \$546,837.

#### *Agricultural production and youth programs*

Agricultural activities and youth pilot projects were an important part of the latest phase of grant-making under the SGP contract. Existing agricultural cooperatives need support in this phase of the country's development in order to become sustainable.

SGP provides partial support, with substantial cost sharing by the grantee, to help the cooperatives generate income and reinvest it in their products and production lines.

One small grant assisted ETADEP, a local cooperative, to support 390 farmers in Loes, Sare, and Raimate areas of Liquica to rent five of ETADEP's tractors to cultivate land for rice, corn, and vegetables during a 6-month period (one season). ETADEP has designed a pay-back plan for all farmers after the harvest so that following the grant period, ETADEP's farmers will generate enough income to rent the tractors from ETADEP at full price during the next harvesting season. ETADEP will also deliver training on cultivation, seeding, maintenance, harvesting, and marketing for the crops farmers want to grow and sell.

Following a successful feasibility study financed under the previous small grants program contract, Winrock International is leading a pilot project in Maubisse district that will focus on establishing an export market in Australia for Timor-Leste snow peas. One local entrepreneur will hire local farmers to work for him to produce snow peas on two hectares and will facilitate the establishment of a sustainable market. We will look for results in the next reporting period.

For the previous reporting period, DAI's work with CRS yielded some interesting information about candlenut oil and whole candlenut product demand in the region. The results were not final as of the end of the reporting period, but preliminary results show that there is an opportunity for Timor-Leste's whole candlenut growers to export to the Philippines for fashion accessories such as necklaces. Conservative estimates of the Philippine market say there is a demand of 2 to 3 tons of whole nuts per month. This potential export market could create numerous long-term job opportunities. The study also found that candlenut oil is in demand in the Philippines. However, all candlenut manufacturers reported that they would need more information and evidence of a clinical analysis of content before buying crude oil from suppliers. The study encouraged coordination with local and regional research institutions in order to capitalize on the potential opportunity. Information from the market study in Indonesia is forthcoming.

With more than half of the country's population less than 18 years old, a concentration on youth productivity and employment generation is essential for the country's development. DAI will work with local NGOs to provide training and full-time assistance for groups that help the youth focus on activities that generate income and increase productivity in the future. Concentration on harvesting and local production techniques that increase crop yields helps make an important contribution to the economic landscape of the country. NGOs also provide assistance with marketing and basic finance and bookkeeping skills to ensure that the youth groups have the practical tools to carry their products from seed to market.

The first pilot project is a small grant to the local NGO Timorese Young Entrepreneurship Initiative (TYEI), which facilitates training for various youth groups in Liquica and Baucau. The facilitation and networking for groups and communities involved in agricultural activities helps create practical options for unemployed youth.

To date, TYEI has helped four youth groups identify local agricultural projects and learn how to assess whether there is a market in the area. The groups concentrate on “local innovation” and network with other groups throughout Liquica district in order to capitalize on successes and learn from failures. DAI looks forward to future monitoring trips and will report on the results of these trainings in the next reporting period.

DAI is exploring this model with various youth groups and NGOs as activity coordinators and technical assistance. We look forward to evaluating the models and finding out what kinds of efforts are more successful than others, and what level of outside support is required to help these initiatives succeed.

### *Foundations for Entrepreneurial Education*

The education system in Timor-Leste continues to need outside support as it builds the capacity of teachers and students. As a result of the lack of infrastructure and struggling education system during the Indonesian period between 1975 and 1999, the system is virtually starting from scratch. Entrepreneurial thinking will be a cornerstone of a productive powerful economy in the coming decades. SGP is committed to supporting the foundations for this entrepreneurial thinking, particularly in the rural areas.

One small grant supported local cooperative Forum Peduli Wanita Oecussi (FPWO) to facilitate basic bookkeeping training for administrative and financial management to 121 selected women (and 40 men) from ten women’s groups in Oecussi district. FPWO members trained the participants so that they could return to their cooperatives and pass on their knowledge to others. At the end of the grant period FPWO reported that they learned a lot about the women’s needs in the community and were able to make changes in their training to help facilitate the learning process. They reported that 11 of 121 participants had literacy problems, and these illiterate individuals will receive additional assistance in the future from the women that fully understood the training. They also reported issues with the language of the training and the fact that it needed to be a combination of Baiqueno (local language in Oecussi) and Bahasa Indonesia in order to accommodate all of the participants. This meant the training took longer than expected, but the trainers were able to accommodate this request. At the end of the training, 6 of the 10 groups felt comfortable with all of the materials and understood all of the requirements for basic bookkeeping and accounting of savings. They hope that they will expand their services to people outside of the groups as a result of what they have learned and their ability to fully account for their savings. DAI will follow up in the future to see if we can replicate this successful model.

Approximately 50% of the population of Timor-Leste is illiterate (60% of women). Supporting non-formal education and literacy efforts, with an emphasis on rural areas, helps foster skills development and long-term planning. Timor Aid’s one-year literacy and income generation project will provide long-term support to the women in the districts that attend the training. Continued reinforcement of the teaching will help the students apply what they have learned and ask questions about how it applies to their

life. Complementing the literacy training with an additional 6 months of training in income generation techniques will help each student use a practical application for what they have learned and help them generate income for their families. This project will be carried out in Ainaro, Liquica, and Aileu districts and targets rural women as the major beneficiaries of the trainings. DAI looks forward to monitoring these trainings and assessing their impact during the next reporting period.

The management of Timor-Leste's precious natural resources is an important target for SGP. During the reporting period, SGP worked with Australian NGO Oz Green to help register and build the management and technical capacity of local NGO Green Timor-Leste. Green T-L will be one of the few environmental NGOs in the country and the only source for environmental education and training in Oecussi district. The grant will support the implementation of village environmental planning sessions that provide guidance and facilitation for community planning for management of natural resources such as water while helping communities plan for emergency needs in the longer term.

### *Financial Services*

SGP provides support to the financial services sector in order to ease the transition from donor subsidies to long-term development support.

Following the successful Financial Services Supply Assessment in December 2004, SGP supported the complementary financial service demand study by a team of MBA students from the University of Bocconi and the Association of Microfinance Institutions in Timor Leste (AMFITIL). Consultants studied the demand for second-tier financial products and services (loans between \$1,000 and \$10,000) in eight district capitals in Timor-Leste. In their preliminary results, they identified a demand between \$339,000 and \$511,000 distributed between 82 and 124 clients. Therefore, the potential demand for credit from second-tier clients is between \$6.7 million and \$10.2 million overall. Final results are expected in December 2005 and the study will help provide more information for future investment in the financial sector.

Another small grant supported AMFITIL to host three capacity-building workshops in the mid-2005. The workshops presented training modules designed by consultants from CGAP (Consultative Group to Assist the Poor), an organization set up by the World Bank to mainstream "best practice" microfinance with practitioners, donors and banks. The training modules included: 1) Delinquency Management, 2) Interest Rate Setting and 3) Operational Risk Management. Trainings were well received by all members and helped each MFI deal with issues of client delinquency and cost recovery in order to build a more sustainable financial sector.

### *Investment Promotion and Economic Policy*

SGP helped support national policy-level objectives in promoting economic growth and improving the legislative framework and enabling environment for domestic and foreign investment.



Encouraging foreign direct investment and additional growth of the domestic economy requires thorough options and feasibility studies. SGP supported the University of Hawaii's feasibility study to determine the parameters required to support sustainable commercial tuna and grouper cage culture operations. The 3- month feasibility study identified possible locations for open-ocean pens, assessed the regulatory environment, conducted a market analysis for domestic and foreign consumption, and developed a business plan for tuna production and a report on the potential industry impact on the marine environment. The University of Hawaii team found that tuna culture was not feasible in Timor-Leste due to the lack of infrastructure necessary for such an operation, but findings supporting grouper culture were promising. Grouper culture does not require the same level of infrastructure support and the seed stock is readily available in Bali. There is also a potential for local grouper seed stock production. The University of Hawaii team identified several potential investors in Timor-Leste. DAI will continue to explore this cage culture option as well as other fish culture activities with potential stakeholders.

SGP's efforts to improve the policy and enabling environment start at the national level. SGP funded the Division of Trade at the Secretary of State for Commerce and Industry to hold consultations about the drafting of a cross-cutting trade policy for Timor-Leste during a one-day workshop in Dili. The grant allowed the trade division to hold the first consultation on this issue to help encourage the drafting of a trade policy that can be implemented quickly and effectively in order to improve the economy and encourage foreign investment and trade.

Vital to attracting foreign investment and a more transparent and stable economy is the education and training of the government's civil servants. TradeInvest Timor-Leste, the country's investment and export promotion agency, will send 10 officials from Timor-Leste to visit Cape Verde in October 2005. The proposed study tour program gives Timor-Leste's officials an opportunity to learn from the successful investment promotion practices in Cape Verde and see how they have applied lessons learned from other similar economies. Represented ministries include the Investment Division of the Ministry of Development and Environment (MDE), Domestic Investment Promotion Institute, Immigration Department, Labor Department, Customs Department, Industry Division, Trade Division, Fisheries Department, Tourism Division, and Environment Division.

The Ministry of Foreign Affairs and Cooperation (MoFAC) received a grant to support the continued logistical and administrative costs of border negotiations with neighboring Indonesia. MoFAC conducted numerous field trips to finalize negotiations and border point delineation and demarcation. In addition, SGP supported an advisor to MoFAC to help build staff capacity in developing/modifying and implementing organizational structures, institutional policies, procedures and systems, human resource management practices and staff development programs.

## **Strategic Objective 2: Key Foundations of Good Governance Strengthened**

In the world's newest democracy, the foundation of good governance is a prerequisite to supporting sustainable development and successful practices across the country's new government structures. SGP funded a wide range of activities in support of local civil society groups, media outlets, legal aid groups, and government agencies that help improve citizens' access to justice. SGP also provided considerable support for the country's first local election process, promoting public participation in civic affairs and assisting in the building of a transparent and accountable electoral system. During the reporting period, SGP supported 18 small grants in the Democracy and Governance (DG) portfolio for a total of more than \$462,348.

### *Rule of Law*

The justice sector in Timor-Leste continues to face complex and demanding challenges, particularly after the end of the UN mission and the closure of the special court for serious crimes in 2005. Timor-Leste needs regular trial monitoring, legal analysis provision and capacity-building programs to help improve the quality of services provided by the newly established judicial system, and to endorse human rights and rule of law in a significant and transparent manner for the people of Timor-Leste.

In support of external judicial monitoring, SGP will continue to fund some of the operational costs for the Judicial System Monitoring Programme (JSMP) until the end of June 2006. During 2005 JSMP has focused on court monitoring and judicial system analysis. During this time, JSMP has been actively monitoring the four district courts in Dili, Baucau, Covalima, and Oecussi districts. Presently, every district court has at least one international judge who conducts proceedings in Portuguese, and his/her translators interpret into Tetum for the Timor-Leste prosecutors, private lawyers, and the parties to the cases. Hearings and trials are held once a week in Baucau and two to four days per month in Covalima and Oecussi. DAI expects the annual report for JSMP to be delivered during the next reporting period with more specific information about the organization's tasks and accomplishments to date.

In direct support for the Oecussi District Court (ODC), through the Court of Appeal, SGP provides office equipment, computers and furniture to help outfit the court. From the JSMP's recent court monitoring and justice update, there has been gradual improvement at the ODC, and the facilities are now of a reasonable standard to hear cases. There are also now spaces for an appropriate filing system for the court case information. JSMP is confident that with the available facilities, the court staff and actors will provide more effective legal and judicial services to the citizens of Oecussi.

SGP also funds numerous legal aid groups -- Liberta, Tane Timor and Fortuna -- to improve services to people who cannot afford legal assistance and counseling from lawyers, and to provide legal education to people in rural villages. With the in-kind equipment support from SGP, Liberta was able to handle more cases in Dili and Baucau during the grant period to benefit 28 male and 5 female clients. Tane Timor received a

grant from SGP to conduct legal education workshops in Soru Craic, Beicala and Dare villages of Ainaro district. These villages were identified as locations that had not been covered by any legal aid groups for any legal education campaigns in the past; 74 women and 154 men attended the workshops. Participants included community leaders, teachers, women and youth from local women's and youth organizations, high school student representatives and farmers. Tane Timor spoke about the RDTL Constitution, the legal system in Timor-Leste, formal justice procedures, and the difference between criminal and civil cases. SGP also funds Fortuna legal aid group, which will hold similar legal education workshops in Laclubar and Natarbora sub-districts in Manatuto in October 2005.

The Ministry of Justice (MoJ) is composed of nine directorates, and four of them are now occupying the main office building of the MoJ with a total of 105 staff. SGP is funding the renovation of two rooms in the main building to provide more work space for 13 staff from the planning and legislation units. SGP will also provide needed office equipment. The support will enable the four directorates to play important roles in drafting the laws for the country, reviewing draft laws from other institutions, and planning and financing all programs under the MoJ.

#### *Media, Oversight and Improved Service Delivery*

As all areas of governance and civil society in Timor-Leste develop and expand, the need for strong and independent media becomes increasingly important. The local media is growing into two of the roles that are so vital to a healthy democracy: as watchdogs of public institutions and as primary providers of information allowing Timor-Leste's citizens to participate in the civic life of their young country.

SGP funded a wide range of activities to support local media organizations in Timor-Leste. SGP provided 12 months of support to the Timor-Leste Community Radio Station Association (ARKTL) to strengthen the association's management capacity and increase its performance as an umbrella organization for more than 16 community radio stations across the country. Community radio stations have become an important source of information to the people at the grass-roots level, and radio broadcasts are one of the most effective tools of communication in the rural areas. ARKTL has effectively coordinated the community radio sector on a national level through development of a code of practice, discussion of a broadcasting law, and coordination of a national congress for all radio stations. The association also plays an important role in presenting the interests of community radio with respect to frequency allocation, broadcast law, media law, and an industry-wide code of practice, and helps facilitate the sharing of resources, expertise and ideas among stations.

SGP funded an advisor for 6 months to provide intensive training in balanced political reporting to journalists from print and electronic media outlets of Timor-Leste through a grant to Internews. The program aimed to strengthen the capacity of journalists in Timor-Leste to report on local events and political issues using clear and balanced in-depth reporting techniques. In addition to increasing the quality of general reporting, the

program aims to increase the quantity of political reporting. The program completed two workshops for 32 print and radio journalists. The workshops were successfully conducted in June for electronic media journalists and in early July for print media representatives. Following these workshops, 15 journalists were selected to proceed with the mentoring component of the training program. In this component, the 15 journalists researched and wrote political reports with an in-depth, clear and balanced analysis once each month from July to September, with assistance from the journalism mentors. Topics included issues such as honest and accountable governance practices as well as cultural and political movements and legal issues.

SGP also funded the Oecussi-based weekly newspaper, Lifau Post. Lifau Post is the only print media that exists in Oecussi. As a result of the funding, more local events have been covered by the newspaper to enable the community inside and outside Oecussi to understand the development process in the region. Furthermore, the newspaper updates residents in Oecussi with information and events from the rest of the country. As an enclave situated in Indonesia's West Timor province, Oecussi is physically isolated from the capital of Dili. Among other difficult problems, information exchange is a critical issue to be addressed. Lifau Post is playing an important role to disseminate information to the residents of Oecussi in order to enable them to take part in the development processes throughout the country.

Support and continued capacity building for local media organizations help achieve USAID's strategic objective in improved good governance. SGP approved a grant for 6 months of capacity building support by Internews for the local Timor-Leste Media Development Centre (TLMDC), launched in April by local Internews staff members. Internews will provide this full-time support to TLMDC and help it transition to an independent media center by the end of the grant period.

### *Local Elections*

SGP continues to focus on aldeia (sub-village) and suku (village) elections as a priority area. The Comissao Nacional de Eleicoes (CNE) receives SGP support to supervise the entire local election process. CNE commissioners were able to observe the fifth phase of local elections in Dili and Liquica on September 20, 2005. Previous SGP grants helped the commissioners conduct their election observation, and receive and investigate claims from the second through fourth rounds of elections covering nine districts. To date CNE has received 27 written complaints, and 15 complaints from the second round have been reported by CNE to the Court of Appeals (CoA). As a result of those complaints, CNE recommended re-elections in nine locations from the second round covering Manatuto, Baucau, and Lautem districts. CNE is now working on the final reports of the third and fourth rounds to be submitted to the CoA soon.

In addition, SGP supports the Ministry of State Administration's Technical Secretariat for the Electoral Administration (STAE) to improve the electoral process by funding the costs for polling staff training. More than 1,850 aldeia polling staff from Dili and Liquica attended the training in September, and approximately 1,150 suku polling staff from

both districts attended the subsequent training. The grant also covered the cost of fuel and maintenance for 30 of STAE's vehicles and fuel for 9 generators used during the electoral process in 9 sub-districts, as well as one boat. The vehicles and boat have been used to support the process, especially in transporting the electoral materials to 375 aldeias and 54 sukus in the two districts, including the island of Atauro. For the aldeia elections in the two districts, approximately 83,000 voters out of 117,856 eligible voters (71%) voted.

SGP also supported information dissemination campaigns about the local elections, allowing community radio stations such as Radio Rakambia, which has the country's only mobile broadcast equipment, to educate voters about the candidates, procedures, rules and regulations.

### **Strategic Objective 3: Improved Health for the People of Timor-Leste**

USAID's newest strategic objective responds to a vital need throughout the country, where maternal and infant mortality rates are the highest in the region. DAI has responded to this need by implementing small grants to NGOs and the Ministry of Health that focus on those most at risk, with a special concentration on mothers and children. By providing access to improved health services, and controlling infectious diseases more effectively, the small grants program can support these efforts throughout the country.

During the reporting period, USAID approved 8 small grants for more than \$579,527. Grant activities ranged from annual meetings for medical professionals in the country to supplemental feeding campaigns for acutely malnourished mothers and children.

#### *Improved Health Service Delivery and Disease Prevention*

A small grant for the Klibur Domin health clinic helped raise funds for the operation of a health care center that provides free health care services.

Another grant funded the first congress of the Timor-Leste Medical Association (AMTL). The congress focused on raising awareness about children's health issues throughout the country and how AMTL can support government initiatives in this area.

Continued support to the Ministry of Health came in the form of a building rehabilitation for the MoH staff and their NGO partners. Additional support included funding for the Ministry of Health's national polio campaign in all districts of Timor-Leste. The campaign included district-level parades and advocacy meetings, educational campaigns about diseases and methods of prevention as well as critical support for the delivery of vaccines to the village level.

Building on the success of small grants implemented under DAI's previous USAID contract, Program Support Initiative (PSI), and a small grant during the first 6 months of SGP, the contract continues to provide funding and support to the Ministry of Health's successful nurse training program. Strengthening the skills of the nursing force in

Timor-Leste is vital to improved health of the population. SGP's grant to the Ministry of Health and World Health Organization supported a 6-month practical training program for nurses in 128 community health centers in all 13 districts.

### *Maternal and Child Health*

In support of one of USAID's partners in health programming, Health Alliance International (HAI), SGP provided a grant to support two HAI staff members to attend the community-based postpartum care meeting in Dhaka, Bangladesh.

CARE International was a major partner for addressing acute malnutrition in certain districts after a very long dry season and a bad harvest. CARE implemented a rapid nutritional assessment with the Ministry of Health to assess the needs of mothers and children in Covalima district. This effort was complemented by other development partnerships in other districts, coordinated through the Ministry of Health. A follow-on grant provided funding to support CARE International's growth monitoring and targeted supplementary feeding program. The program, an extension of CARE's existing nutritional and supplementary feeding programs, involved taking anthropometric measurements to assess the nutritional status of children and pregnant and lactating mothers in 4 subdistricts of Covalima district. In late 2005 and early 2006, the malnourished children and mothers will receive supplemental feeding accompanied by health education support.

### **Short-Term Technical Assistance**

In mid-March, USAID requested that DAI recruit two consultants for an assessment mission to look at the IMfTL (*Instituição de Microfinancas de Timor-Leste* – Microfinance Institution of Timor-Leste) and evaluate its role in providing credit to second tier clients. Within two weeks DAI had contacted two experts, Dr. Ekkehard Esser and Ms. Milissa Day, and mobilized them for the assignment from April 10 to May 1, 2005. The final report entitled, "Options for Financial Service Provision to Second-Tier Microfinance Clients in East Timor," is attached in Annex VI.

In May, USAID asked DAI to field a team of experts to assist GoTL in preparing a Threshold Country Plan (TCP) to be submitted to the Millennium Challenge Corporation. Within two weeks DAI collected more than 13 CVs for candidates for the three positions in the following areas of expertise: macroeconomics and trade, public administration/anti-corruption, and business/legal framework. These candidates were reviewed by USAID and GoTL and three were chosen to make up the consultant team for the period June 26 to July 27. The assignment was very challenging since the working group that was identified by GoTL to work with the consultants was still being formed. Very little guidance was provided to the consultants in terms of concrete expectations. The consultants met individually with many of the working group members to better understand what GoTL wanted to see in the TCP. A draft report was distributed to working group members before the consultants left the country. The final draft was submitted in August after incorporating comments from USAID and GoTL. DAI and

USAID were pleased that the TCP was signed by the Prime Minister within one day of receipt of the report. The TCP report and illustrative budget are attached Annex VII and VIII.

In early September, shortly after the approval of DAI's contract modification 3, USAID requested that DAI coordinate and field a large consultancy effort to develop an Agriculture Options Paper to identify an range of potential areas for future USAID programming. Specialists in the following areas of expertise are being recruited:

- Agriculture Economics
- Food Crop Productivity
- Horticulture Crop Productivity
- Livestock/Dairy Productivity
- Aquaculture/Mariculture Productivity
- Agroforestry/Reforestation
- Agricultural Credit/Rural Finance
- Agricultural Extension

DAI is also in the process of recruiting an agricultural education specialist requested by USAID to assess the present agriculture curriculum and work with the Ministry of Agriculture to determine the needs of the country's three agriculture schools to establish appropriate practical education programs. These programs aim to prepare students to start their own businesses, find employment and contribute to the productive sectors in Timor-Leste.

Initial discussions with Junior Achievement (JA) headquarters in the U.S., to conduct an assessment of the conditions in Timor-Leste for the possible launch of a JA program have begun. DAI will work with JA in finalizing and fielding the assessment team sometime between November and December of 2005.

## Grants Management

Grants management for in-kind procurement continues to be labor intensive with this reporting period showing a marked increase in the number of procurement and financial actions. The number of these actions (checking bid sheets, reviewing quotations from vendors, verifying purchase orders going to vendors, approving financial transactions to grantees) during this reporting period amounted to a total of 1,836 individual actions with a total value of \$1,336,428. This translates to almost 15 actions per day with a total daily value of \$10,606. This level of financial activity continues to require an intense level of continuous monitoring and oversight. Annexes 1-5 provide more detail about grant financial data.

	October 1, 2004 – March 30, 2005	April 1 – September 30, 2005	Total
# grants received	190	152	342
# grants rejected	116	90	206
# grants approved	35	38	73

### *Urgent Requests and Lengthy Negotiations*

During this reporting period DAI was quick to respond to a number of urgent requests:

DAI was asked by USAID to respond immediately to a proposal from the Ministry of the Interior to set up the Office of the Inspectorate. DAI rushed to issue a grant (DAI-039) for furniture and office equipment and finalized it within one week. Unfortunately, the two US funded members of International Criminal Investigation Training Assistance Program (ICITAP) who had worked with the Ministry of Interior in preparing this grant were terminated the week following the grant approval. As DAI staff worked to get the details on furniture and computers for the new office, no one in the Ministry was aware of the details. Much DAI staff time was spent reviewing the request and collecting new specifications for the equipment needed.

On March 14, only two weeks before the beginning of local elections, CNE (the National Elections Commission) submitted a proposal to DAI to fully fund its activities to include travel by CNE commissioners to monitor activities at the polling stations. The grant (DAI-040) was issued in less than one month.

In late June, USAID contacted DAI with an urgent request to provide stop-gap funding to the Ministry of Health to implement the national polio campaign (DAI-061). Only a few weeks before the launch date, the DAI team worked with Ministry of Health staff to finalize details pertaining to payments for district-level public outreach activities as well as motorcycle rental and fuel for the delivery of vaccines to the village level.

At the request of USAID and with only five days to respond between the proposal submission date of July 25 and the proposed start date of August 1, DAI finalized a grant (DAI-066) to the Ministry of Foreign Affairs to fund an advisor for 10 months to provide capacity building support to the staff in the Ministry.

An urgent request by STAE to fund polling staff training costs and fuel and maintenance costs was received on August 19, 2005 (DAI-072). The first polling staff training for the aldeia (sub-village) elections was to be held on September 15, 2005. Under continuous pressure from STAE, DAI staff worked quickly to collect quotes for spare parts and maintenance services for the fleet of STAE vehicles to be used in implementing the village level elections. The grant proposal was approved on September 9, less than three weeks from the submission date.

A grant proposal from TradeInvest Timor-Leste (DAI-056) was given to DAI just 2 weeks in advance of a study tour to Cape Verde for more than 10 Timor-Leste officials. DAI pushed the grant through only to have the study tour dates change 6 times over the next 4 months. Arrangements with the travel agency and all other vendors have been rescheduled and moved more than 6 times. It is hoped that the study tour will now take place sometime in October, after the reporting period for this grant.



Health Alliance International (DAI-036). At the urgent request of USAID, DAI received a proposal for a study tour to Dhaka, Bangladesh, on March 21 and had the grant approved within 7 days in order to get the team on the plane.

Numerous grant proposals were subject to lengthy negotiations. In early July, DAI received a proposal from the University of Hawaii's Pacific Business Center to provide production equipment and technical assistance to a local company, Acelda, with the goal of expanding its candlenut trade business to include a candlenut oil production facility. Acelda was encouraged to seek a loan from the commercial banks to purchase the equipment with the idea that training would be covered through small grant funding. DAI facilitated meetings with the commercial banks, which DAI staff had previously met when collecting information in preparation for a financial sector assessment consultancy. Negotiations with the banks continue. The CGD, Timor-Leste's Portuguese bank, has shown interest in providing a loan for equipment with the condition that GoTL also contribute. The details are still being determined. The Pacific Business Center has been asked to submit a revised proposal to DAI focusing primarily on training and removing the equipment costs given the strong possibility of Acelda receiving a bank loan due to USAID and DAI's efforts.

Early in the reporting period USAID requested that small grant funds be reserved for future Internews activities in the amount of \$400,000 and that specific proposals would be forthcoming in three areas: 1) support to a local media NGO, 2) continued work in media law and 3) additional assistance to the Internews Government Information Office (GIO) project. Proposals were submitted for the first two activities in early August and numerous requests for clarification on the budget and performance reporting requirements went on throughout the month and into September. In late September a decision was made to drop funding for the media law proposal. Since the costs for the two Internews proposals were closely linked, USAID requested that Internews revise its proposals to request small grant funding only for support to the local media NGO and the GIO. Since USAID's Internews funding was to end on September 30, a new grant had to be written, submitted to DAI for review and approved in less than two weeks. DAI worked closely with Internews to finalize the grant proposal and budget to be approved on September 30, 2005.

After meetings with USAID, Catholic Relief Services was told that USAID was interested in looking at providing longer-term support for Tuba Rai Metin (TRM - a local microfinance institution and CRS partner) in its efforts to achieve self-sufficiency. No funding limits were set. On July 1, an original proposal was submitted by CRS requesting \$700,000 for a comprehensive and aggressive growth program for TRM. USAID felt the funding level being requested was too high and negotiations between DAI and CRS began in an effort to reduce the cost. CRS made changes that required limiting the number of locations for field offices. After frequent consultation with USAID, DAI requested that CRS revise its proposal two more times after being given a \$400,000 ceiling for the grant. CRS submitted a final proposal to DAI on September 2, and DAI pushed the grant through for local approval and put together a request for

approval from the Contracting Office at USAID/Bangkok on September 9. The request from USAID/Bangkok is outstanding.

### *Building rehabilitation*

Two building rehabilitation requests were approved during this period; for the Ministry of Health and the Ministry of Justice. Building rehabilitation of public buildings is a very lengthy process requiring numerous steps before a building contractor can be chosen to perform the works. First, the process requires an inspection from the Public Works office to determine whether the building is structurally sound for rehabilitation purposes. (During the last three years Timor-Leste has experienced several earthquakes. A large two story building collapsed during the biggest of the tremors and other buildings developed cracks as a result of the quakes.) Once Public Works has approved the building for rehabilitation, they work with the requesting Ministry to determine what the construction needs are for the existing structure. Public works will take the draft plan and determine a bill of quantity for use in an open tender process to select a consultant firm. The selected consultant firm engineers will finalize the draft plans and bill of quantity, prepare the tender process for the construction firm to carry out the rehabilitation, and oversee the rehabilitation process while informing the relevant Ministry and DAI throughout the process. Both of these grants were very time consuming due to a number of ad hoc changes in the original plans by both ministries.

Finally, there are other proposals may involve many hours of negotiation but are ultimately not approved. USAID strongly urged DAI to respond quickly to a request from GoTL's Division of Statistics, dated June 6, 2005, to provide funding for two technicians from the US Census Bureau with a start date of June 15, 2005, in advance of the census planned for July. After 6 weeks of correspondence, with both the US Census Bureau and USAID, DAI was informed that the small grants mechanism could not be used to fund another US government agency's costs. USAID then began direct negotiations with the US Census Bureau to provide technical assistance to GoTL's Division of Statistics.

During the month of July, the US Embassy forwarded a funding request from the Serious Crimes Unit (SCU) under the Office of the Prosecutor General to rehabilitate a new space for the storage of important archives regarding cases of serious crimes committed since 1999. DAI staff worked with the SCU to locate vendors for the different elements needed for the rehabilitation of a space at the CAVR (Truth and Reconciliation Commission). As the grant was being finalized, and the SCU staff members were in the process of moving the equipment, the government decided that the archive needed to stay with the Office of the Prosecutor General. DAI was contacted and informed of the decision. The SCU requested an amendment for the rehabilitation to be carried out in the building they originally occupied. DAI staff once again worked with the SCU to get specifications for the site where the archives were to be stored. As the grant was being finalized, the government made a decision to move the SCU to a new location. The grant request has been put on hold pending further notice.

## **Contract Issues**

As of May 13, 2005, the SGP Cognizant Technical Officer was changed from Dr. Charles W. Oliver to Mr. Stephen Vance. DAI worked closely with the new CTO to inform him about the SGP contract and implementation procedures.

SGP's contract modification 1, signed on April 11, 2005, changed the procurement code on the contract to Geographic Code 941. This was vital as procurement restricted to Timor-Leste provided numerous challenges sourcing equipment for grantees. Procurement from 941 countries continues to pose challenges because vendors are harder to communicate with, identify and evaluate in accordance with USAID procurement standards. DAI looks forward to the potential change in geographic code to include 935 countries, especially Australia, to ensure faster service delivery of goods to our grantees.

Modification 2 was signed on June 23, 2005 providing an additional \$3,200,000 in incremental funding for the Task Order, a total obligation of \$7,200,000. In addition, it transferred the contracting officer responsibilities to USAID/Bangkok.

On July 5, DAI submitted an approval request to USAID Timor-Leste to provide a grant for \$374,987.00 to CARE International to implement an activity entitled "Growth Monitoring and Targeted Supplementary Feeding for Malnourished Children, Pregnant & Lactating Mothers in Covalima District". The grant was approved on July 26, 2005 by the USAID Regional Contracting Officer in Bangkok.

In order to better respond to USAID's request to further develop certain program areas, on July 11, DAI submitted a budget realignment request to increase funding for short-term technical assistance on the contract. This modification 3 was approved on August 29, 2005.

## **Administration and Implementation Update**

In early April, DAI discovered that three local staff members were involved in a fraudulent activity. One DG/Health program development specialist (PDS) and two logisticians were terminated as a result of this discovery. The departure of the staff members put considerable stress on the rest of the staff who were required to take on the increased workload. DAI has carried out several recruitment efforts during this reporting period in an effort to find replacements for the three positions. DAI published two job advertisements and received more than 35 applications for the first round of PDS recruitment. DAI held 6 interviews and hired one PDS. Next, DAI received 18 applicants for the second PDS position. DAI held 8 interviews and is in negotiation with PDS candidates for the open positions. The two logistician positions were filled but no candidate with the required experience has been found to fill the senior PDS position. Recruitment efforts continue for two new PDS positions after another PDS gave notice in September that he will work with the new DAI program in Timor-Leste.

## Project Management Challenges

### *Monitoring and Evaluation*

DAI's extensive monitoring and evaluation framework was established at the end of 2004, and the data is currently being collected for each of the grants. As grantees complete their grant periods and submit final reports, PDSs and management analyze the information collected to report against the approved indicators. Since much of the strategy for the economic growth section of our contract is changing, many of the indicators will also change. Given the wide range of strategic objectives that the small grants have covered, there is still little quantitative data in any one focus area to provide at this time. The next reporting period should yield more quantitative data and will be included in the next report.

### *Strategic Focus*

In May 2005, DAI was asked to develop a number of new areas for future grant implementation in support for the Economic Growth strategic objective. These new program areas include the following:

**Literacy and numeracy for women.** DAI's goal will be measurable, observable improvements in literacy and numeracy in targeted geographic locations.

- DAI will search for local partners with a background in literacy and numeracy training with an emphasis on practical application of this training in the future, especially those with a curriculum tailored to the local community. DAI will explore numerous models, including centralized approaches with teams that are dispatched to give trainings as well as community groups that can give the trainings themselves.
- Support for the Ministry of Education's non-formal education initiatives in this area will also be explored.

**Youth activities.** DAI will focus on livelihood security and job creation and explore potential cost-sharing and synergies with existing programs. DAI will look for partners with proven experience in implementing practical educational activities that link into actual employment opportunities.

**a) Applied business and entrepreneurship education.**

- Ministry of Education and other vocational and technical training schools. DAI will explore relevant business and entrepreneurship development initiatives with schools and training institutions throughout the country.
- Junior Achievement (JA). Following the feasibility study, USAID/DAI will help introduce JA curriculum and test it in a selected number of primary and secondary schools both in Dili and other locations outside the capital. DAI will look specifically at (a) Banks in Action and the (b) JA Company Program.

- UN Industrial Development Organization (UNIDO) and International Labour Organization (ILO). UNIDO's program focuses on teaching entrepreneurship at the pre-secondary level (within regular curriculum) and ILO's program concentrates on youth employment generation. DAI will explore potential opportunities to fund small pilot programs for students who are close to graduating from the final year of this program.
  - Local partners in financial management and business education. DAI will search for local groups that have business education modules for training, with a special focus on rural women who cannot travel to established training centers to receive training.
- b) Agricultural education.** DAI will focus on linking classroom work with life after obtaining the diploma, with an emphasis on helping graduating students find a job or create one by starting a new business.
- Agricultural education consultant (with counterpart). This person will examine government priorities, MAFF's pipeline, and other donors' plans with Natarbora, Fuiloro and Maliana agricultural schools.
  - DAI will also assess potential partnerships with banks, IMFTL and MFIs. Outside sources could provide start-up financing and DAI could help them pre-select certain loan worthy clients.
- c) Environmental education.** DAI's goal will be to increase awareness of best practices in the country about sustainable use of natural resources – water, soil, forestry, etc.
- Government. DAI will work with the Division of the Environment to explore potential public education campaigns about natural resources management, building on the success of a PSI grant for a traveling environmental exposition.
  - Local partners. DAI will look for local NGO partners who have already established curriculum or training materials in this area.

DAI has carried out substantial research in these new program areas and has already identified a number of activities. With all the unsolicited grant proposal requests submitted to DAI and subsequent intense process of in-kind delivery during this reporting period, it has been a challenge to dedicate the time necessary for new program development. A program development approach is new for the small grants implementation model, which was designed to respond primarily to unsolicited proposals requesting funding for pre-designed activities requiring procurement of in-kind support. Previously, program staff concentrated on rewriting grant forms from proposals into English (many of the original proposals are submitted in either Tetum, Indonesian or Portuguese), worked closely with grants managers and the grantees to develop the budgets with sufficient and proper specifications for items to be procured, oversaw the delivery of items by the logistics staff throughout the life of the grant, and monitored the grant activities during the implementation of the activity. In response to USAID's request to actively explore new program areas, PDSs are now also responsible for researching and developing these new program areas.

Sound program development requires additional time to meet stakeholders in any given sector to better understand the situation before recommending a plan of action. Given

the labor intensive nature of in-kind grant procurement, a new balance between grant provision and new program development must be reached. In order not to jeopardize the quality of program design and development, DAI will focus more on a select number of activities aimed at supporting USAID's areas of strategic focus.

DAI recommends implementing a new system of grant submission periods to facilitate this process. Grant proposal submission would be "open" for the first ten days of every quarter, for example. This will allow DAI program staff to: 1) respond to unsolicited grants for several weeks after the submission period, and 2) provide the necessary time during the rest of the quarter to develop the program areas that USAID would like to see explored while continuing to oversee the in-kind procurement and delivery process as well as monitor and report against ongoing activities. The lack of a scheduled open season system with continued receipt of proposals on a rolling basis may well jeopardize work in developing and advancing in newly identified program areas.